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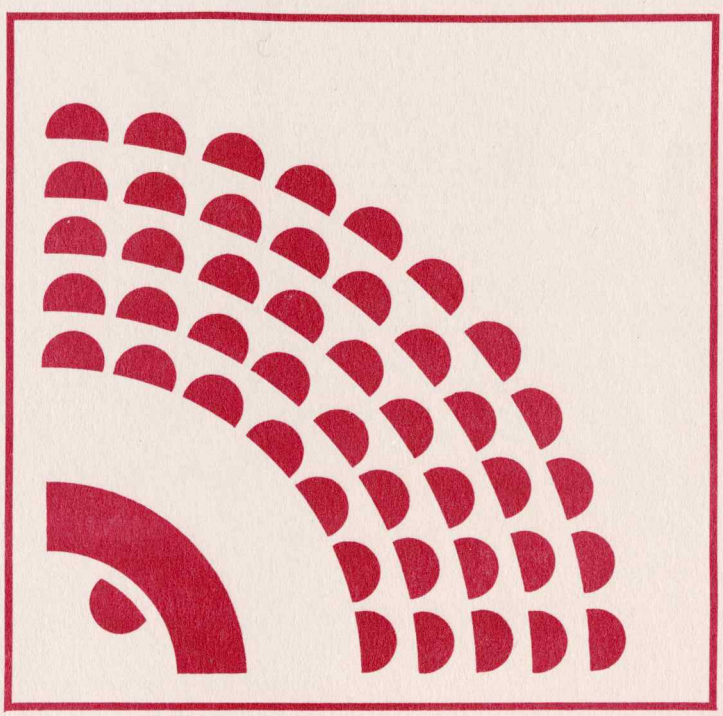
Reflections on Being "Out of Joint with the Times".

An Essay on Canadian Economic Policy.

by Irving Brecher



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Foreword

REFLECTIONS ON BEING "OUT OF JOINT WITH THE TIMES"

An Essay
On Canadian Economic Policy

by

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TABLE OF CONTENTS

Foreword I

Economic Policy Research - A Growth Industry 1

Major Policy Issues for the 1980s 6

A Summary of the C.I.E.P. Report 25

The C.I.E.P. Report in Critical Perspective 28

Concluding Thoughts on the Future 38

Postcript 45

References 46

Summary 50

Résumé 52

About the Author 54

FOREWORD

Irving Brecher's paper on Canadian economic policy marks the launching of Essays in Public Affairs by Concordia University's School of Community and Public Affairs.

Why yet another scholarly publication series? Should we not be more cautious, given the avalanche of academic journals published over the past few decades and the increasingly serious problem of communications overload left in its wake? An initial justification for the launching of this series and a statement of our objectives is clearly in order.

In the first instance, our aim is to address and to help resolve public affairs problems facing our community. We have found that theorizing about, describing and prescribing social behavior is oftentimes perceived by academics as belonging to three distinct and unrelated realms of scholarly activity. And, in contrast to the "classical" scholars of earlier times, contemporary social scientists, especially in North America, have tended to be mesmerized by the first or second of these activities, and less concerned with the equally important task of social problem-solving.

The failure to respond with imagination, vigour and practicality to the pressing problems of our communities, and to address social issues in a clear and accessible manner is not the only one-dimensional trap into which we have fallen. Other major difficulties stem from the widespread unwillingness or inability of social scientists to address problems in public affairs in a multi-disciplinary manner, and to share their thoughts with the public at large.

Increased government spending, expanding government regulation of traditionally private domains, unemployment, income redistribution, environmental protection, tax reform, poverty and most of the other pressing areas of contemporary public affairs are immune to the analytical techniques of a single academic discipline. Finding appropriate solutions to the problems in these areas requires close collaboration on the part of a number of social science disciplines, yet we seldom take this into account.

A high level of public awareness and understanding of our future policy options is an equally important part of putting into place needed reforms in public affairs. Yet again, academics have been most reticent to step outside the seclusion of their learned conferences and to participate in helping our fellow-citizens to better understand the problems and choices facing them.

In a very modest way, Essays in Public Affairs is dedicated to help redress some of the imbalances listed above. The concerns of our community will become our concerns. Generating fresh ideas and alternatives, and making these accessible to the public, will be our response. If we can assist, however modestly, various sectors of our community to better understand and respond to the challenges they face, we think that our efforts will have been worthwhile.

In addition to this general orientation, our overriding aim is to provide both an outlet and a focus for the debate over public versus private decision making. Clearly, the resolution of this debate stands at the centre of our future socio-economic development. Or, to use a timely quotation from Robert Heilbroner, "the conflict between private and public decision-making is one of the most difficult problems that a market society must face... few political

issues will be of greater importance for our standard of living in the years ahead".

We do not intend to take a premature or categorical stance on either side of this conflict. We shall not fix ourselves to a particular "magic line" à la Milton Friedman or Paul Sweezy, which governments ought or ought not to cross. Instead, we shall publish controversial pieces from whatever ideological or political stance, as long as they can help us to understand and resolve the challenges we face in this area.

In this, the first essay in the series, Dr. Irving Brecher has Canada's economic options for the 1980's and beyond as his primary concern, but he clearly recognizes the important political and social dimensions of the economic problems we face. He lucidly draws our attention to the need to distinguish between hope and reality, fact and fancy in policy analysis, and he issues a timely warning not to take anything for granted in either "conventional" or "unconventional" policy prognostication. The ultimate strength of this piece is its clear exposition of the fundamental policy dilemmas confronting us, and its call for a vigorous national debate --- rather than the setting up of ideological barricades --- through which we can address and help resolve the questions of our economic future.

Dr. Brecher zeroes in on three essential questions in his paper --- changing power relationships between Ottawa and the provinces, government intervention in the economy and our increasing energy constraints. His own preferences rest on the side of "an economic policy mix rooted in vigorous competition, reasonable price and employment stability, an efficient Canada-US relationship and a real war on poverty at home and abroad --- with the federal government retaining the very substantial powers necessary for solid national performance. More pointedly, the conclusion is

reached that despite the deep uncertainties looming in the 1980's, Canadians do not have to opt for an enormously costly, inwardlooking policy thrust based on massive government intervention in foreign and domestic markets".

It should be underlined that the views expressed in this and subsequent papers ought not to be interpreted as being necessarily those of the editors or of the School of Community and Public Affairs. We intend to publish cohesive counter-arguments to this paper as well as others appearing in the series. We hope that, in the process, we will provide a lively forum for reasonable debate and discussion for all those who are concerned with the future shape of public affairs.

Andrew B. Gollner
Editor

REFLECTIONS ON BEING "OUT OF JOINT WITH THE TIMES"

An Essay on Canadian Economic Policy*

By Irving Brecher

There is always a temptation to speak, in heroic terms, of a country "at the crossroads". The risks in doing so, however, are real. We tend to be overwhelmed by current problems and to project them into the long-term future -- only to discover that today's crises are frequently tomorrow's distant memories.

Nevertheless, there can be little doubt that Canada now stands at a critical turning point in its development. Three basic themes have emerged with special force: first, and most important, whether the country will survive as a single sovereign state; second, whether government should play a smaller role in the Canadian economy; and third, whether increasingly severe energy constraints dictate drastic changes in Canadians' life-style or in Canada's pursuit of fundamental policy goals. How these questions are answered during the next few years will go far to determine this country's economic performance in the decades ahead. But let us comment initially on the past.

Economic Policy Research -- A Growth Industry

Looking back beyond the 1960's, one finds a general perception that all was well with Canada's world, that the resource-rich Canadian economy was

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* The author gratefully acknowledges the valuable comments and suggestions made by Carl Beigie, Roy Davidson, Antal Deutsch, Andrew Gollner and Tom Kent. Needless to say, responsibility for the final product -- and its defects -- is exclusively mine.

bound to flourish, and that government should play an uncomplicated catalytic role in the economic sphere. Public policy, like politics, was for politicians, and judgment as to how well they performed was basically a matter for the ballot box.

There were major exceptions, to be sure -- the excitement generated by the National Policy of 1879, the shattering impact of the Great Depression, the massive economic mobilization for World War II. But despite all the sound and fury, even these were "one-shot affairs" in terms of public concern; it waxed with the particular crisis and waned as the peak was perceived to have passed. What never subsided were the efforts of special-interest groups to ensure or forestall government policies that would directly affect their economic welfare.

To a large extent, of course, this is the kind of milieu in which Canadian policy-making has been conducted over the past two decades as well. Our sterile competition policy is a striking case in point. But there are also significant elements of change. For one thing, the late 1950's ushered in an informational revolution; facts and research on the Canadian economy began to be disseminated on an unprecedented scale. Secondly, World War II transformed the country's industrial structure; and it brought a new public awareness of Canada's economic potential, of the global dimensions of our interdependence, and of the key role of government in the nation's development. Thirdly, the stresses and strains of the late 1960's produced a general sense of unease over the strength of the Canadian economy and the viability of our political system. And the public disquiet has deepened with the increased domestic and international turbulence of the 1970's.

What all these changes add up to is a relatively new, widespread and sustained Canadian concern with the formulation and execution of economic policy by our federal and provincial governments. An important reflection of this concern is the mushrooming of organizations engaged in or sponsoring analysis of the Canadian economy.[1]

The institutional research map was a virtual blank when the Economic Council of Canada was established by Act of Parliament in 1963. True, the Conference Board in Canada had commenced operations in 1954, and the Private Planning Association of Canada (P.P.A.C.) in 1958. But the former was, in essence, providing a general information service for its business membership, while the latter was only beginning to make modest forays into the policy field. Various government departments were doing their own data-gathering, but those efforts could hardly be viewed as comprehensive research on problems of economic policy. Apart from the occasional unsolicited output of academics, the only real source of such analysis were the reports and technical studies of government-appointed royal commissions. Rowell-Sirois, Carter, Porter, Gordon -- these landmark efforts come readily to mind. But the royal-commission approach had its well-known shortcomings: discontinuity in the sense of ad hoc selection of a new commission to deal with each problem; consequent failure to build up a stock of technical expertise on policy research; uneven and often-disappointing impact on the policy process. The Economic Council was to experience its own difficulties with policy impact, but it did provide both continuity and a growing stock of research know-how.

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[1] See, for example I. Brecher (with H. Gaudry Seni), Public-Policy Research in Canada: An Inventory of Programs and Organizations, mimeo. (Institute for Research on Public Policy, Montreal, October 1974).

In any event, the institutional setting for economic-policy research remained a narrow one through most of the 1960's. The Economic Council and a rapidly-expanding P.P.A.C. dominated the field in this respect. The trade and investment facets of the Canada-U.S. relationship emerged as a major focus of analysis by those agencies, by individual scholars and by the federal government.[2] Problems of inflation and productivity also loomed particularly large as the decade drew to a close.

Not surprisingly, these same issues surged on into the 1970's. But they had to share the spotlight with a wide variety of others -- unemployment, energy shortage, federal-provincial crisis, a deteriorating world economy. At the same time, new research organizations were broadening the analytical base for Canadian economic policy. Indeed, the past dozen years have produced an institutional explosion in policy-oriented research. Witness, for example, the Ontario Economic Council, the Institute for Research on Public Policy, the Canadian Energy Research Institute, the Fraser Institute, the Hudson Institute of Canada, the North-South Institute, and the University of Toronto's Institute for Policy Analysis. Add to this a further-expanded P.P.A.C. transformed into the C.D. Howe Research Institute (in 1973); a Conference Board launched (in 1974) on a new program of applied economic research and short-term forecasting; a Science Council of Canada increasingly concerned with the research interface between science and economic policies; the growing policy-type output of such long-established bodies as the Canadian Tax Foundation; and the continuing, though reduced, governmental resort to royal commissions and task forces on major economic issues. The end result has been a rising tide of studies and

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[2] For a discussion of that literature, see I. Brecher, "The Myth and Reality of Canada-U.S. Relations", International Perspectives (Ottawa), November/December 1975.

reports sensitizing Canadians to the importance and complexity of the nation's economic problems.[3]

Even with generous allowance for efforts of dubious quality, one would be hard-pressed to argue that these research developments have not yielded substantial benefits. There is, of course, no way to quantify such gains; nor is it possible to demonstrate that Canada's economic performance would have been weaker in the absence of this expanded research. But the gains are real nonetheless -- an alerted, better-informed Canadian public; federal and provincial governments that are more responsive to national aspirations; a growing fund of knowledge that sharpens learning experience and permits a more sophisticated assessment of alternative policy options. This kind of advance is especially significant as we head into the murky and worrisome 1980's.

Understanding is one thing, however; the proliferation of policy-research organizations is quite another. While they may well be positively linked in a general sense, it remains for each particular organization to justify its own existence. This need is all the greater in countries, like Canada, where shortages in required talent are acute. And as the institutional growth proceeds, each new organization carries a heavier burden of carving out a valuable niche that has not already been filled.

The Canadian Institute for Economic Policy (C.I.E.P.),established in the Fall of 1978, takes its place as the most recent "member of the club". It could also prove to be one of the most interesting.

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[3]For an interesting expression of concern over the possible swamping effects of this tide, see S. Ostry, The Changing Role of the Economic Council, Lecture sponsored by the School of Public Administration, Carleton University (Ottawa) February 5, 1979, pp. 8 & 9. See also R. Lewis, "Tanks for the Strategies", Maclean's (Toronto), January 7, 1980.

In its first published report, C.I.E.P. argues that Canada's current conventional wisdom on economic policy is "out of joint with the times"; and that it must be refuted by new ideas and proposals for remedial action.[4] The Institute's raison d'être is to convince Canadians that we can achieve economic success in the 1980's only by drastically reducing our dependence on the United States, and by moving boldly towards overwhelming control of our own resources. This provides the stimulus for two challenging tasks in the essay which follows: to inquire whether C.I.E.P. has made a credible case for its mission; and more important in a national context, to give some analytical shape to the comprehensive economic-policy debate that Canadians should now launch as we confront a deeply unsettled future.

Major Policy Issues for the 1980's

The national economic debate would be difficult enough if one could assume reasonable political stability on the domestic front. Even then, the serious problem of global turbulence would have to be taken into account. But it is the spectre of domestic political disintegration that has become paramount. We must make no mistake about the fact that the prospects for national unity have never been more grim; and that the economic costs of failing to sustain it could be enormous.

This is not the place to derive the specifics for national consensus -- or, indeed, for any other policy objective. But it is the place to strike down myths about public goals, and to spell out some of the major implications of seeking such goals. One of the most popular myths is that the so-called

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[4] Canadian Institute for Economic Policy, Out of Joint with the Times: An Overview of the Canadian Economic Dilemma (Ottawa, June 1979).

"Quebec problem" is essentially a form of Canadian regionalism and can therefore be roughly equated with the problems of "Western alienation" and "Maritime stagnation". The fact is that the crisis in Quebec -- given its unique socio-culture dimensions -- poses by far the most serious threat to Confederation. A related myth is that the only way to accommodate Quebec is through extensive dismantling of federal powers; and that, in a region-based economy like Canada, the costs of doing this would be minimal. The fact is that large-scale decentralization has already occurred; and that Canada's economic viability rests on the continuing exercise of very substantial power by the federal government.

Precisely how much power is, perhaps, the most complex of all constitutional problems that Canadians must face. In truth, there is no definitive line to be drawn between competing jurisdictions. What we do know is that our provincial and municipal governments are well placed to handle a vast range of local needs involving economic and social welfare; and that such governments have increasingly developed the skills to do so. What we also know, however, is that no modern industrial state can function efficiently without a central authority empowered to attack such national problems as inflation, productivity, unemployment and equitable sharing in a dynamic economy. Nor is this all. We cannot pretend that there is no longer any meaningful role for concurrent jurisdiction in Canada, or that there is no compelling case for a realignment of spending and taxing powers. But what we can least afford is the illusion that our "national unity" malaise can be cured by drastic surgery

on the economic levers presently controlled from Ottawa.[5]

Strong provincial and regional aspirations are here to stay in Canada. These must be well reflected in the search for an optimal division of powers among the various levels of government. By the same token, balanced regional development will persist as a condition for national viability, and with it the need for a sizable federal presence. Once again, there is the myth that "balance"(assuming a meaningful definition) will be costless in terms of other goals; and the reality that a high price may have to be paid in reduced national efficiency and growth.

Where such costs are incurred, they will naturally be more acceptable if the regional development policies are pursued in efficient ways. And acceptance will be further enhanced to the extent that regional balance softens gross inequities in the distribution of personal incomes. However, this latter result is by no means automatic; even a frontal assault on poverty

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[5] Quebec has produced two major constitutional documents since the time of writing: Government of Quebec, Québec-Canada: A New Deal (Quebec City, November 1979); and Quebec Liberal Party, Constitutional Committee, A New Canadian Federation (Montreal, January 1980). The Parti Québécois government white paper leaves no room for doubt as to the massiveness of its proposed changes; federal Canada as we know it would simply cease to exist. It might, however, be argued that even the Quebec Liberal proposals would produce a central authority so enfeebled as to become virtually sterile. This argument is open to serious question -- bearing in mind the "beige paper"'s positive federalist stance, and especially the fact that the federal government would continue to have prime jurisdiction in such basic fields as regional development, monetary policy, competition policy and international trade and investment. In any event, the Liberal document is explicitly predicated on compromise; and it remains to be seen whether the balance of federal-provincial powers ultimately reached will be as province-oriented as now envisaged in the paper. It also remains to be seen whether "our political leaders at both levels of government [will] rise above traditional jealousies and . . . achieve [the required] spirit of creativeness and innovation" (Task Force on Canadian Unity, A Future Together: Observations and Recommendations, Ottawa, January 1979, p. 84). In this broader setting, Michael J.L. Kirby has recently articulated a solid federalist position ("Federalism and Regional Economic Development: The Case for a Strong Federal Government", in An Economic Strategy for Canada, Toronto, 1979).

does not guarantee success.[6] At any rate, a more equitable distribution of income stands on its own as a major goal of public policy in Canada -- this despite economists' traditional squeamishness about giving it analytical content. Whatever the scientific merits of inter-personal comparisons, most Canadians believe that there are minimal living standards which no human being should be denied. Indeed, it can be cogently argued that the eradication of poverty is the most compelling of all socio-economic objectives. Two mutually incompatible myths have long blunted effective action on this front: the view that Canada retains only isolated pockets of economically deprived people; and the fear that the country cannot afford to wage an all-out war on poverty. In fact, substantial numbers of Canadians continue to live below reasonable levels of subsistence. Furthermore, a determined effort to bring them into the mainstream is not only an urgent matter of social justice; it is a powerful instrument for increasing productivity and, therefore, all kinds of "affordability" in the Canadian economy. In budgetary terms, of course, there may be delicate questions of timing and competing needs. But there is never an ideal time. And the social costs of basic deprivation are overwhelming.

The budgetary concern is a real one, nonetheless. It is, perhaps, most strongly rooted in the inflation disease that has plagued this country for nearly a decade.[7] The dangers of the disease are not a matter of dispute.

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[6] "The empirical evidence demonstrates that the federal government has not improved the economic position of the poor relative to the highest-income families during the 1970's." W.I. Gillespie, In Search of Robin Hood: The Effect of Federal Budgetary Policies during the 1970's on the Distribution of Income in Canada (Montrea April 1978), p. 24. See also G.L. Reuber, "The Impact of Government Policies on the Distribution of Income in Canada: A Review", Canadian Public Policy, Autumn 1978.

[7] The inflation problem is, of course, a global phenomenon. For a wider perspective on its gravity and on how the industrialized countries should undertake to solve it, see C.E. Beigie, Inflation Is a Social Malady (Montreal, March 1979).

Chronic inflation at or near double-digit levels can prevent economic growth, disrupt productive efficiency and break down social stability. What generates most of the controversy is the issue of causes and remedies, and the question as to how far the struggle against inflation constrains the pursuit of other economic goals. Although the discussion is typically complex, the central myths are easy to identify -- in particular, the proposition that the cause of hyper-inflation is a runaway money supply fueled by excessive government deficits; that the cure, consequently, is drastic cutbacks in government spending; and that there should be a virtual freeze on new government programs until the deficits have become negligible or have vanished. By contrast, the realities are more subtle and less rigid.

In the first place, Canada has little or no control over the sizable inflation which it imports from the United States and elsewhere. Secondly, it is Canada's inflation rate relative to other countries, not the rate per se, which bears directly on our international competitiveness. Thirdly, there is no single cause or remedy for this disease; we still have much to learn about it, but we do have every right to reject simplistic diagnoses that ignore the role of supply and "cost-push" in the inflationary process. We are also entitled to be highly skeptical about pronouncements -- governmental or otherwise -- that make total victory in the inflation struggle a prerequisite to improvement or remedial action on the unemployment front. True, Canadian labour markets have developed new kinds of stress, such as a greatly enlarged, fluid female work force; and the aggregate unemployment rate is less significant than it used to be. Then, too, reasonable doubts have arisen about the feasibility of fine-tuning the economy to the extent envisaged by Keynesian theory. But there is still ample scope and urgent need for macro policies which

minimize excess productive capacity, and for micro policies which broaden the long-term prospects of an upgraded labour force. Far from taking a back seat to the inflation struggle, such initiatives could provide a major contribution to its successful outcome. No less important, in the same context, would be a genuine governmental readiness to confront the inefficiencies of monopoly-oriented enterprise.

This last reference to industrial structure opens up one of the deepest of all issues for national debate. At stake is the question of whether the Canadian economy should have an expanded private sector in which the demand and supply forces of the competitive market-place predominate. Two types of myth are pertinent here: on one side, the view that such forces have become so feeble or so inadequate that the only viable policy stance is either massive government control or collective decision-making by government, business and labour; on the other side, the view that the only requirement for reaping the full benefits of market forces is massive governmental "deregulation" of the economy. If, indeed, the market had become irrelevant or non-existent, there would be no escape from pervasive government or "tripartism"; and the logic of long-term wage and price controls would be impressive. One would then have to seek out ways of minimizing the economic risks of enormously wasteful misallocati of resources, as well as the social risks of fatal encroachment on basic individu liberties. To say the least, it is difficult to be optimistic about the chances of meeting such an awesome challenge. More to the point, however, is the fact that the time for mourning -- or celebrating -- the death of market forces in Canada has not yet arrived. What <u>has</u> happened is that their positive effects on efficiency and growth have traditionally been muted by haphazard government intervention through tariffs, subsidies and regulatory constraints over a vast

range of Canadian economic activity.[8]

But it by no means follows that deregulation provides the total answer. Obviously, there are, and will continue to be, a host of broadly-desired economic and social goals whose achievement is incompatible with exclusive reliance on market forces. Reference has already been made to the grave problems of national unity, regional imbalance, poverty and unemployment. One can readily add such compelling needs as expanded health care, effective crime control, academic excellence and labour-management harmony. These are all areas in which a substantial government presence -- at whatever level -- will be required. The same is true for the unremitting struggle against hyper-inflation -- even though the case for direct wage and price controls is neither theoretically nor empirically solid for a mixed economy like Canada. Some people may find it verbally dazzling to suggest that "government is now the problem rather than the solution", or that "government must be cut down to size". The more meaningful task ahead, however, is to devise least-cost techniques for producing and pricing the great array of public goods that Canadians will continue to demand.

This still leaves plenty of room for deregulation in industries where the potential consumer and productivity benefits of competition are deemed to be large. Such gains are important not only in their own right, but also in terms of accelerating national economic growth and thereby strengthening government's capacity to satisfy public needs. What usually gets overlooked, though -- whether by ignorance or design -- is the crucial point that deregulation is not synonymous with competition; and that if competition is

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[8] In this connection, see Economic Council of Canada, Responsible Regulation: An Interim Report (Ottawa, November 1979); also Government of Canada, The Way Ahead: A Framework for Discussion (Ottawa, October 1976).

not enforced, the relevant benefits are likely to be sought through government regulation or control. Putting it in other words, an effective Canadian competition policy is still a viable alternative to omnipresent government. And deregulation is only one facet -- albeit a significant one -- of that alternative; it must be accompanied by vigorous efforts to weaken or eliminate major private and governmental barriers to competitive enterprise.

The stage is set for confronting the most fashionable of all Canadian economic myths: the proposition that only a comprehensive blueprint, or "industrial strategy", can cure our basic ills. It seems quite impossible to figure out what this really means; and ambiguity makes for staying-power. Presumably, what it does not mean is "merely" a judicious blend of limited government regulation and strong competition policy. Presumably, also, government, assisted by business and labour, is expected to formulate and implement a national plan designed to accelerate economic growth, maximize industrial efficiency and minimize external constraints on the Canadian economy. In fact, as I have noted elsewhere, the sweeping calls for an industrial strategy "mean either too little or too much. Where [the term] goes undefined, it is a case of substituting rhetoric for careful policy analysis. Where it speaks of 'the mutually-reinforcing use and adaptation of a wide variety of policy instruments', it turns out to be a program for central planning and direct government involvement on a scale that is inconsistent with Canadian experience and capacity; it can also become a device for expanding the range of tariff-protected, monopolistic industry."[9]

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[9] I. Brecher, "Canadian Tariff Policy: Muddling Through without Even Trying", in 1977 Conference Report: Proceedings of the Twenty-Ninth Tax Conference of the Canadian Tax Foundation, November 1977 (Toronto, 1978), p. 423. And see R.J. Wonnacott, "Industrial Strategy: A Canadian Substitute for Trade Liberalization?", Canadian Journal of Economics, November 1975. The Clark government apparently abandoned the term, "industrial strategy", on the ground that "it's much too narrow"; replacing it would have been something called "national economic development strategy", whatever that might mean. Quotations from a speech by former Industry, Trade and Commerce Minister Robert de Cotret to the Canadian Chamber of Commerce, as reported in The Montreal Star, September 24, 1979, p. A11. The new Trudeau government appears to be reviving the earlier emphasis on "industrial strategy".

Given Canada's extensive regionalism and economic openness, it is incumbent on the "industrial strategists" to flesh out more of their approach, to demonstrate its feasibility and to acknowledge the high costs of its application.[10] The alternative is to make deregulation and competition the cornerstone of Canadian micro-economic policy for the 1980's.

These options take on special significance when Canada's role in the world economy comes into focus. Boiled down to essentials, the key issue is not whether Canadian governments should plan for, and respond to, rapid international economic change, but whether they should do so by inward-looking policies oriented towards a narrowed scope for the operation of market forces. The rationale for such policies has its own abundance of myth: the view that only a tariff-protected Canadian economy can prevent large-scale unemployment from imports; that Canadians will remain "hewers of wood and drawers of water" if government does not massively intervene to build up secondary manufacturing; that closer trade links with the United States are incompatible with Canadian progress; that it is not in Canada's interest to encourage a rival industrial capability in the under-developed Third World. The truth, once again, is very different.

For one thing, import barriers do not necessarily promote employment. Much depends on the level and pattern of domestic spending; there is also the

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[10] The Science Council of Canada is in the forefront of a current research effort to do these things. See especially J.N.H. Britton and J.M. Gilmour, assisted by M.G. Murphy, The Weakest Link - A Technological Perspective on Canadian Industrial Underdevelopment (Ottawa, 1978); also J.J. Shepherd, "An Economic Strategy for Canada: Our Political Economy Regained", in An Economic Strategy for Canada, op.cit. The Council still has a long way to go. For extensive criticism centred on its failure to deal thoroughly with the causes of poor Canadian industrial performance, and with the economic costs and benefits of proposed remedies, see D.J. Daly, "Weak Links in 'The Weakest Link'", and A.E. Safarian, "Foreign Ownership and Industrial Behaviour: A Comment on 'The Weakest Link'", Canadian Public Policy, Summer 1979. See also K.S. Palda, The Science Council's Weakest Link: A Critique of the Science Council's Technocratic Industrial Strategy for Canada (Vancouver, 1979).

prospect of foreign retaliation; and in the long run, the protecting country's exports are likely to suffer from higher-cost inputs, and from a reduced foreigners' buying capacity that is linked to their restricted ability to sell. Then, too, in a dynamic world economy, import restraints will often prove to have been only a temporary propping-up of inefficient industries, or segments of industries, which would have been better left to die. For a developed country like Canada, import protection is typically one of the costliest ways of sustaining employment; nor does the historical record lend much credence to the argument that early-stage protection can readily be displaced by later-stage competition.

The "hewers of wood" perception doubtless had validity many long years ago. One would be hard-pressed to take it seriously at this point in time. Primary production and raw-material exports are still critically important, to be sure. But with its well-trained labour force and sophisticated technology in many fields, Canada has become one of the world's most advanced manufacturing countries. From this perspective, demands for force-fed processing on a large scale seem to take one of two forms. There is the argument that increased manufacturing activity is nationally desirable per se, and because it provides new sources of employment creation. This "smokestacks"approach -- usually devoid of even the most elementary principles of comparative advantage -- is so crude in a Canadian context that its durability defies any explanation based on solid economic analysis. The more interesting argument is that Canadian industry is technologically under-developed in terms of an inability to generate the knowledge-intensive activities which would keep it competitive in the fast-changing world of the 1980's and beyond. However, it is a real problem to come to grips with this view because it is shrouded in emotive

language like "technological dependence", and because the supporting evidence thus far adduced is not impressive.[11] In fact, the "technology" thesis is a facet of the campaign for an "industrial strategy". It is also intertwined with the arguments for rejecting a closer Canada-U.S. relationship.

Ever since Confederation, fear has joined with hope in a haunting Canadian refrain on this country's economic links with the United States. The "free trade"theme has been the most persistent one -- fully matched in intensity, over recent decades, by the issue of long-term direct U.S. investment in the Canadian economy. It would be difficult to find a more thoroughly researched Canadian economic question than the implications of free trade with the United States; and no less difficult to find as broad a consensus among the researchers. Nearly all of them agree that the mutual elimination of barriers against industrial trade would bring significant efficiency and growth benefits to Canada.[12] The substantial short-term costs of business dislocation have been taken into account; and so too the gains already achieved by lowered barriers. The superiority of multilateral free trade has also been recognized. Still, the clearly preponderant view is that, on balance, major economic benefits would accrue, and that a Canada-U.S. arrangement is the only bilateral one in which they would not fall far short of the multilateral result.

The question arises as to why Canadian governments continue to make so little effort to blend analysis with policy on the U.S. free-trade front. One

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[11] See, for example, S. Globerman, "Canadian Science Policy and Technological Sovereignty", Canadian Public Policy, Winter 1978.

[12] See, especially, Economic Council of Canada, Looking Outward: A New Trade Strategy for Canada (Ottawa, 1975). A background study prepared for the Council represents one of the few in-depth dissents from this conclusion: R. Dauphin, The Impact of Free Trade in Canada (Ottawa, 1978).

obvious answer is that special-interest groups -- vulnerable tariff- or quota-protected industries in particular -- lobby hard against any such initiative which they consider to be seriously harmful. This is a matter of power, not of national economic welfare. A second answer, perhaps equally obvious, is that some Canadian policy-makers probably perceive multilateral free trade as a realistic policy objective. This is a matter of judgment, like the similar view that regional free trade extending beyond the United States provides as realistic a Canadian goal as the bilateral option. It is too early to say whether the liberalizing steps recently taken in the Tokyo Round reinforce such optimism over wider arrangements. What the preliminary evidence does suggest, however, is that non-tariff barriers will long remain an insurmountable obstacle to multi-sided free trade; and that the most significant tariff reductions actually negotiated may well be those which promote greater integration of the Canadian and U.S. economies.[13]

There are, in any event, other explanations for Canada's foot-dragging on the bilateral option. One is the fear that it would expand and accelerate U.S. control of Canadian industry; another, that it would inevitably destroy Canadian independence. These two themes are, of course, not unrelated. The "foreign control" question has become something of a red herring. After 25 years of rhetoric and research, four crucial points have emerged: long-term foreign investment, most of it from U.S. sources, has brought major growth and income benefits to the Canadian economy; it has also sharply constrained decision-making by businessmen operating in Canada, and it carries the potential for serious adverse effects like restricted exports and stunted techno-

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[13] See, for example, F. Harrison, "Trade", The Financial Post (Toronto), July 21, 1979, p. 1.

logical development; U.S. control is now large enough to warrant substantial concern that a continuing upward trend could make deep inroads into this country's political system; the real issue, therefore, is not whether to force massive (and hugely expensive) rollbacks in foreign control, but how to avoid any significant overall increase and how to maximize its benefits and minimize its costs. Given the strength and "headstart" capability of U.S.-controlled enterprises, there is no denying the need for special Canadian vigilance during the early stages of a free-trade arrangement. But given its growth effects and the increased Canadian access to U.S. markets, there is good reason to expect a stable or perhaps declining long-term role for aggregate foreign savings and control in the Canadian economy.[14] At the very least, any assumed inevitability for an opposite trend is the stuff of which dreams are made, not reality.

The "inevitability" doctrine is no more convincing when clothed in the broader garb of lost Canadian independence. The proponents of this view could never be criticized for over-concern with detail. In fact, they rarely go beyond the assertion that Canadian sovereignty could not withstand the pressures of a lopsided partnership like Canada-U.S. free trade. Presumably, there is some awareness that few, if any, countries -- and certainly not Canada -- are completely sovereign, or even almost fully so, in our contemporary world. Presumably, too, however, there is some reasonable level of sovereignty which Canada could not sustain once locked into an agreement that it had a far greater stake in keeping alive than did its more powerful U.S. partner.

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[14] This, of course, is not inconsistent with a possibly expanding role for external savings in some sectors that will require enormous capital input over the next few decades; the energy sector -- oil, gas, hydro and nuclear power -- provides a dramatic case in point.

Limited forms of economic integration are perceived, "as a matter of internal logic" -- and experience -- to evolve towards more advanced structures, and ultimately to political union.[15] This would appear to be the whole "independence"story. It is just not enough. There is no a priori reason for assuming that Canada would be unable to get fundamental safeguards incorporated in a free-trade treaty; nor are there any solid grounds for predicting that Canada would be devastated by U.S. abrogation of the treaty, and therefore prepared to pay the most extreme political price to prevent it. As for the empirical evidence, what it suggests is that countries participating in free-trade arrangements have a strong capability to make them, and keep them, as limited as they wish. At the very least, any theory that totally rejects such power cannot stand.[16]

This leaves many loose ends, and we will soon have more to say about the "Canada-U.S." theme. Meanwhile, it is important to underscore the point that, whatever the outcome of any expanding debate on Canada-U.S. relations, this country's future economic health will rest heavily on the skill with which we respond to rapid industrial change in the world at large. The competitive

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[15] M. Sharp, "Canada-U.S. Relations: Options for the Future", International Perspectives, Autumn 1972, p. 15 -- perhaps the classic statement along these lines.

[16] A tricky aspect of this issue should be noted here. It has been argued that an economic association between a sovereign Quebec and the rest of Canada would not be practical because of the great disparities in size and economic strength as between the two partners. See R. Dehem, On the Meaning of "Economic Association" (Montreal, February 1978). In the same vein, it is sometimes suggested that a Canada-U.S. free-trade arrangement would be just as unworkable as a Canada-Quebec association. This kind of analogy is false, for at least two reasons. Given our sharply differing regional interests and the traumatic natur of a shattered Canadian Confederation, it is extremely doubtful that a special Quebec link could be negotiated. But even assuming the contrary, a Canada-Quebe association would not be doomed as a matter of inevitability; if the link did ultimately collapse or revert to some form of federal system, the likeliest cau would be an insistence on particular features -- like monetary union -- that proved incompatible with the maintenance of two sovereign decision-making system

challenge is by no means confined to the United States and the other developed nations. In fact, it is the poor countries -- with their mushrooming productive efficiency -- which pose some of the most difficult problems for Canadian industry. To pretend that such outside forces can be indefinitely contained by import restrictions is no less foolish in the latter case than in the former. To translate this fiction into policy is to impose high costs on Canadian consumers, to penalize efficient foreign producers, and to forgo planning for the painful process of adaptation which Canadian business will not be able to avoid. In the case of the Third World, such policy also runs directly counter to Canada's $1 billion foreign-aid commitment to promote international development. Some impressive beginnings have been made in alerting Canadians to the urgency of re-thinking our entire Third World posture.[17] It is time to bring this issue to the forefront of national debate.

There is a host of other serious problems that Canadians must address: how, for example, to revive competition in domestic agriculture while continuing to recognize its special vulnerability to economic change; how to convince our policy-makers that a floating exchange rate affords substantial scope for combating recession and unemployment, even in the face of record deficits in Canada's balance of international payments; how far considerations of national unity should be permitted to delay the necessary task of restructuring inefficient Canadian industries; how far the energy crisis will constrain this country's efforts to achieve traditional economic goals. The energy problem merits particular attention because it is so global in nature, and because it cuts across virtually every segment of the Canadian economy.

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[17] See, for example, Economic Council of Canada, For a Common Future: A Study of Canada's Relations with the Developing Countries (Ottawa, 1978); also North-South Institute, North-South Encounter: The Third World and Canadian Performance (Ottawa, 1977).

If the energy issue looms large, so do the mythical perceptions which it has generated. At the world level, there is the "doomsday" scenario, based on an assumed inescapable collision between dwindling petroleum supplies and explosive population growth. The reality, by contrast, is that rising prices are a powerful stimulant to both the discovery of oil and the development of alternative energy sources; that oil reserves are increasing sharply through major finds in Mexico, Britain and other areas; that there are solid prospects for extensive substitution by natural gas, coal, and solar and nuclear energy; and that the rate of population growth is now undergoing significant decline almost everywhere, including much of the Third World. Rising costs of oil extraction are a very serious matter, to be sure; so are the restrictive price and output policies of cartellized oil producers; and the environmental costs of exploiting non-petroleum energy resources. We are still a long way from coping successfully with these problems. But we are an even longer way from being able to conclude that the world lacks, and cannot acquire, the economic and engineering know-how to do so. Nor does the available evidence entitle us to the conviction that the world energy shortage can be resolved only by the most draconian conservation measures paralleled by a radical re-ordering of social values against economic progress.

Canada's own mythology also reflects the "doomsday" theme. There is, however, a strongly competing "special advantage" perception as well. The latter, in fact, has plenty of substance. It reflects a long-standing public awareness of natural-resource wealth, and it has been reinforced by striking recent off-shore discoveries of oil and natural gas in the Canadian Arctic and the Atlantic Provinces. A clear lesson to be drawn from

Canadian experience is that a dynamic private sector -- with producers stimulated by rapidly rising demand and generous tax benefits -- is crucial to the struggle against energy shortage. But this lesson has to be kept in proper perspective. It does not support the view that "freely-operating" market forces are a sufficient condition for winning the struggle; and that, tax incentives aside, government should play little or no part in this field. By the same token, the case for an overwhelming government presence is not impressive.

The petroleum and other energy industries are among the most highly regulated in Canada. This in itself is, of course, no justification for substantial government constraints on the energy market. But it does flow from a variety of serious public concerns about the great strategic importance of energy in the Canadian economy. Once again, it is necessary to try and separate myth from reality. Canada really is well endowed on the oil front relative to other industrial nations. And yet, even taking the tar sands into account, the relevant numbers point to likely crude-oil shortages beginning in the mid-1980's and approaching one million barrels a day in net imports by 1990.[18] These are hardly grounds for a laissez-faire posture. It is not a matter of omniscient government striving mightily, on the supply end, to achieve Canadian self-sufficiency in oil. This is little more than a pipedream for the coming decade; and even if it is a longer-term engineering possibility, the economic cost would probably be so high that few informed Canadians would be prepared to approve. Then, too, it is not

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[18] B. Hepburn, "Are Canada's Oil-rich Days Numbered?", The Montreal Star, July 14, 1979, p. A10.

a matter of pervasive government seeking a demand-oriented solution through drastic lowering of Canadians' expectations with regard to material welfare. Given the psychological force of high living standards and the tremendous continuing pressures to raise them, this may well be the greatest pipedream of all. The real case for government involvement in Canada's energy sector is a less heroic one, but broad and substantial nonetheless.

There is, first, the need to undertake high-risk exploration in oil, and in energy substitutes, that private enterprise would not carry out alone or at all. Secondly, there is the need to help develop high-risk technology that may facilitate and cheapen the extraction of Canadian energy resources. Thirdly it is for government to catalyze and sustain a vigorous, nation-wide effort aimed at efficient conservation in the use of those resources. It is also for government to minimize the environmental and other social costs of energy development, and to make the hard decisions as to whether particular projects should be forgone because such costs outweigh the economic benefits. A fifth requirement has to do with crude-oil pricing -- the delicate task of achieving prices high enough to induce larger energy supply and yet low enough to shield Canadian consumers and producers from unreasonable hardship. The importance of federal power is especially worth noting in this context, but in others as well. There is the frequently-overlooked point that a federally-controlled corporate enterprise may well provide the only practical route to effective competition in the tight oligopoly structure that characterizes Canadian petroleum refining and marketing.[19] There is also Canada's need for counter-

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[19] Some observers argue that Crown corporations are generally incapable of dealing at arm's length with their industrial competitors -- that the former typically make alliances with the latter and lobby for them in Ottawa. This interesting, and sweeping, point remains to be substantiated.

vailing governmental force to be exerted against powerful foreign-government sellers and buyers of oil and other forms of energy. Even the greatest torrent of "gobbledygook" about "privatization" cannot change the fact that a dynamic, multi-purpose type of Petro-Canada is now a necessity for our oil industry; and that a similar need is likely to arise in the case of other energy resources. This is reinforced by what is bound to be a growing Canadian desire to promote closer energy co-operation with our North American neighbours. The reality has little to do with such feverish catch-phrases as "Canada-U.S. continentalism"; it is, rather, a question of carefully exploring the outer limits of joint action with the United States and Mexico, and of pursuing those avenues of co-operation which bring mutual gains without distorting our own national priorities.

There are still plenty of loose ends. Much of the preceding discussion of policy issues has been couched in general terms, and the specifics are wide open to further analysis. Hopefully, however, enough has been said to give some flavour to the national debate that should be articulated by Canadians across the country. From this vantage point, let us now take a second look at the C.I.E.P. report on Out of Joint with the Times.[20]

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[20] The Institute has published a number of studies since its first report, most of them since this essay's time of writing. These will be noted later. But C.I.E.P.'s own basic rationale for its work is to be found almost exclusively in the "Out of Joint" report and, to a lesser extent, in a supplementary statement released roughly a month afterwards (Canadian Institute for Economic Policy, A Statement on Current Economic Issues, Ottawa, July 1979). It is for this reason that my critique of the Institute deals primarily with the first report.

A Summary of the C.I.E.P. Report

Clearly, the main driving force behind the establishment of the Institute was a deep sense of dissatisfaction with "conventional" Canadian approaches to the country's economic problems. The Report puts it this way: "The conventional wisdom, which was less than adequate in earlier decades, will be more damaging in the new, more competitive environment which is now emerging. We are indeed out of joint with the times. New and more innovative initiatives are required, both in the content and scope of policy, and in the development of institutions and mechanisms."[21]

A description of the changing order of things follows. In terms of Canadian economic performance, the authors draw a sharp distinction between the 1950's and 1960's on the one hand and the 1970's on the other. The first two postwar decades provided, for the most part, a period of rapid and sustained economic growth within a relatively stable world economy. "Canadians did what came 'naturally'" -- exporting primary and partly processed goods, and importing foreign capital and finished products -- and "we did not reflect unduly on the long-term impact of such a trading pattern".[22] The 1970's, by contrast, have been years of economic disappointment for Canada -- chronically high unemployment and inflation within an unstable world economy dominated by energy shortage, monetary disorder and shifting patterns of trade.

Many of the underlying trends have spanned all three decades, and C.I.E.P. finds them overwhelmingly negative. In the world context, there

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[21] C.I.E.P. Report, op. cit., Preface.

[22] Ibid., p. 9.

is the spread of multinational corporations, the rise of regional trading blocs, the increasing competitive power of Europe and Japan, the emergence of low-cost manufacturing among Third World nations, the formation of resource cartels vividly exemplified by OPEC, the persistently close linkages between Canada and the United States. On the often-related domestic front, there is the growing disharmony in labour-management relations, the continuing weakness in home-based technological development, the increasing rigidities of Canada's industrial structure, the extreme intensification of conflict among the federal and provincial governments.

For most of this period, the authors identify "the conventional wisdom" in Canada with two general themes: the Keynesian view that, through the appropriate contra-cyclical fiscal and monetary policies, governments could achieve and maintain minimal unemployment as well as reasonable price stability; and the proposition that short-term fluctuations aside, the dominant rule for economic governance should be "laissez-faire and . . . the natural forces of the market mechanism".[23] On both counts, this approach is deemed to have failed -- the Keynesian policies because Canadian governments were too slow to respond to changing levels of economic activity, and laissez-faire because "inherent structural difficulties" and a lack of adjustment measures frustrated Canada's "de facto policy of 'free trade'".[24] The mid-1970's are presumably considered somewhat more interventionist, but not more successful from a policy point of view; hence the Report's reference to "a growing movement in Canada and abroad advocating a return to laissez-faire".[25]

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[23] Ibid., p. 26. [24] Ibid., p. 14. [25] Ibid., p. 11.

It is interesting to note how the authors define the current conventional wisdom:

> The message is . . . very simple. Free trade, particularly with the United States, will solve Canada's structural difficulties. Governments should cut their expenditures and balance their budgets. Until this objective is achieved and inflation is curbed, the expansion of the money supply should be restricted and high interest rates should be maintained. To the extent that the exercise of private monopoly power leads to rising prices, a more active competition policy should be pursued. Free collective bargaining . . . should continue to determine wage structures and other conditions of work. Multinational corporations should be free to expand where and how they wish. In other words, unfettered private enterprise and private investment should become the prime movers of industrialized economies.[26]

This prescription, the authors go on to say, will just not work for Canada -- given the grave problems ahead, and the enormous task of developing our northern frontier. Accordingly, they see an urgent need to challenge this "conventional" approach, and to present their own alternative course of action.

There can be little doubt that their prime target for attack is Canada-U.S. free trade. In essence, it is a three-pronged attack: the free-trade option would not produce a more efficient or more dynamic industrial sector in Canada; it would produce an increase in U.S. control of Canadian industry; the "further loss of [Canadian] economic independence . . . would lead . . . eventually to a loss of our political independence."[27] The other side of the authors' coin is Canada's overriding need for "a new 'national' industrial policy" geared to reduced economic dependence on the United States; "the objective should be to have modern and more specialized firms in a position

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[26] Ibid. [27] Ibid., p. 16.

to profit from economies of scale, eager to improve their R & D base and their innovative capacity, and willing to use the domestic market as a stepping-stone to secure greater access to external markets within the new world environment".[28] Complementing this central focus would be a "well designed and sustained national energy program"; "a comprehensive food policy"; a more efficient transportation system; a less adversarial and "more meaningful" relationship between labour and management; an acquired governmental capacity to "act more quickly to stabilize aggregate demand and production"; also a "major" direct effort to eliminate the "chronic and growing deficit" on current account in Canada's balance of international payments.[29] While the provinces and the private sector are expected to play an important role, it is the federal government which "must provide economic leadership and direction"; and this means pursuing "the central goal of increasing our control over our own internal and external policies, and progressively reducing the state of dependence which hampers effective development".[30]

The C.I.E.P. Report in Critical Perspective

If the foregoing summary seems thin in analytical content, so does the Report itself. To be sure, it is intended, and labelled, only as an "overview" of Canada's economic problems and prospects. But that is a word which often carries a multitude of sins. Perhaps the most serious is the tendency, in this general context, to equate perception and judgment with analysis and facts. Indeed, we are all likely to go astray here at some time or other;

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[28] Ibid., pp. 23 & 27.

[29] Ibid., pp. 22, 23, 25.

[30] Ibid., pp. 27 & 28.

differences are those of degree rather than of kind. More on this later, however. Let us recognize the pluses before the minuses.

C.I.E.P. has a clear philosophical message, and it is forcefully delivered: Canada's only hope for economic success in the 1980's is to throw off the shackles of dependency vis-à-vis the United States, and to strike out boldly on the road towards control of its own resources and destiny. The Report also provides a useful survey of disturbing trends in Canada's economic performance and in the international economic environment. Then, too, one finds a keen sensitivity to the growing strains of federal-provincial conflict, and to the consequent vital importance of Ottawa dealing constructively with regional grievances in general and Quebec's aspirations in particular. At the same time, C.I.E.P. is astute enough to emphasize that the "effective workings of a Canadian common market, directly antithetical to the current balkanizing tendencies, and dynamic federal leadership are the prerequisites of a strong stable economy".[31] C.I.E.P. also makes a sophisticated call for greater Canadian awareness of the significant role of political power and influence in economic decision-making at all levels. And it is realistic in appreciating that Canada has the social and economic resource-potential for successfully meeting the basic challenges of the 1980's.

So much for the pluses. They are not inconsiderable. And the authors' concern with new ideas and new initiatives has an attractive ring. Still, there is no escape from the fact that the Report is deeply flawed in a variety of respects.

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[31] Ibid., p. 19.

Let us begin with some specifics on historical interpretation. For one thing, C.I.E.P.'s negative assessment of the 1970's is overdrawn: despite all the problems, Canadian real income per person has risen about 20 per cent, real output some 46 per cent and employment roughly 30 per cent; and despite all the need for improvement, Canadians generally were better fed, clothed, housed and educated by the end of the decade than ever before in the country's history.[32] Secondly, and less excusable, there is the authors' characterization of current Canadian commercial policy as "de facto free trade"; this is a clearly erroneous judgment based on the false assumption that the Canada-U.S. Auto Pact spells completely free trade in automotive products, on the simplistic observation that in 1976 63 per cent of Canada's end-product imports entered the country duty-free, and on the equally simplistic observation that Canada and the United States have had free trade in agricultural implements since 1944. Thirdly, the Report naively equates Canada's large recent import deficits in finished goods to a condition of "stunted . . . real development";[33] and the error is compounded by linkage to a non-existent policy of free trade. Actually, this whole questionable package of C.I.E.P. specifics is pointed towards the general proposition that Canada is undergoing an intolerable intensification of something called "a satellite or peripheral economic status in relation to the United States".[34]

At the heart of the authors' general approach is their already-noted attack on "the conventional wisdom". But while they make frequent use of this

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[32] Bank of Montreal, "The Disappointing Decade of the Seventies", Business Review, September 1979, p. 4.

[33] C.I.E.P. Report, op. cit., p. 16.

[34] Ibid., p. 14.

catchy phrase, they do not tell us who the wise men (and women) are.[35] It is important to distinguish between at least two broad categories in the economic context: the mainstream ideas of academic economists; and the prevailing views among opinion-leaders in government, politics, business, the media and so on. It is also important to recognize that these categories overlap, particularly because each influences the other; and that today's mainstream and prevailing views are often tomorrow's heresies and dissents. What C.I.E.P. has done is to paint a distorted word-picture of the current Canadian conventional wisdom by lumping together all of its sources and by ignoring changes in content over time.

The overriding non-academic message of the moment is that the best government is the least government, that regulatory constraints on the private sector should be drastically reduced or eliminated, and that total victory against chronic high inflation should be the prime target of public policy. This, however, is superimposed on a heavily inconsistent message to the effect that Canada should retain its long tradition of substantial government involvement in the economy, that we need a new "industrial strategy" for Canadian development, that our trade policy should continue to steer a cautious course between free trade and protection, that foreign investment in Canada should be subject to greater government control, and that collective bargaining should be more restricted in the interests of industrial progress and social peace.

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[35] This concept was introduced into the literature by Professor J.K. Galbraith (The Affluent Society [Boston, 1958], chapter 2). His basic definition was both brief and elastic -- "the ideas which are esteemed at any time for their acceptability" (p. 9).

As for the academic message, reference has already been made to the basic theme that Canada-U.S. free trade would bring significant benefits to the Canadian economy, though less so than multilateral free trade -- and with an eclectic view about political implications, as well as due allowance for possibly exempt sectors like agriculture and energy. One can also speak of substantial academic support for a more vigorous Canadian competition policy, and for a policy of maximizing the gains and minimizing the costs of foreign investment in Canada. But if these themes are termed "the conventional wisdom", it becomes necessary to acknowledge some major qualifications. There are both gaps and uncertainties -- in the former connection, for example, a failure to articulate a public-policy stance on the abuse of private power in Canadian labour-management relations, or (more generally) on the appropriate responsibilities of government in the mixed Canadian economy; and with respect to uncertainties, a continuing controversy between Keynesians and monetarists over the effectiveness of contra-cyclical policy. Then, too, there are the sharp contrasts between the academic and broader versions of the conventional wisdom. And there is the fact that during the past two decades, Canada's so-called "economic nationalists" have come close to building up a new conventional wisdom aimed at destroying the mainstream academic position on free trade, foreign investment and competition policy.[36] It will, of course, be evident by now that the C.I.E.P. Report represents a kind of culmination of this attack.

It should also be clear that setting up "the conventional wisdom" as a straw man is a risky venture at best. One curious result is that, depending

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[36] For an incisive general statement of the "nationalist" case, see B.W. Wilkinson, Canada's Trade Options (Toronto, 1978); also "Long-Term Capital Inflows and Balance of Payments Policy", in An Economic Strategy for Canada, op. cit.

on how the term is defined, the critic may be expressing ideas which are no less conventional and no more innovative than those of the target under attack. Another possibility is that the critic will choose the wrong target. I would submit that, in some considerable degree, C.I.E.P. has misfired on both levels. But the telling indictment is that a fixation with "conventional wisdom" has helped to deflect the Report from undertaking the systematic analysis necessary for a credible judgment as to which ideas -- conventional or not -- are in fact "out of joint with the times".

Given the powerful evidence to the contrary, the authors have simply not made a cogent case for rejecting the Canadian option of industrial free trade with the United States. Words like "satellite" and "peripheral" are no substitute for reasoned discussion of economic benefits and costs; nor is it at all convincing to assert, without more, that closer economic integration vis-à-vis the United States would inevitably bring Canada's political collapse. Indeed, the Report itself is strangely ambivalent on the U.S. front: while it concedes Canada's continuing major trade links southward, the saving grace will presumably be that as "imbalances in our economic structure are corrected, we can begin to identify the areas in which long-term arrangements could be negotiated".[37]

The authors' approach to foreign ownership and control is difficult to fathom. If the suggestion is that they be carefully monitored for adverse impact, then, as already implied, the wrong target is being selected for attack; few Canadian academics would challenge this view, though the Report's assumption that free trade would inevitably aggravate the foreign-investment problem remains open to serious question. If, on the other hand, the authors

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[37] C.I.E.P. Report, op. cit., p. 17.

are advocating a draconian policy of cutting back on foreign ownership and control, then they are skating on very thin analytical ice; in the face of undoubtedly high repatriation costs, the best supporting evidence they are able to produce is the vague assertion that emerging U.S. policies designed to re-establish technological leadership are likely to retard the flow of advanced technology to Canada, and that such a slow-down "could have immediate adverse effects on the competitiveness of broad sectors of the Canadian economy".[38]

For C.I.E.P., interestingly enough, "competitiveness" does not presuppose a vigorous competition policy. Indeed, as already pointed out, the authors include "a more active competition policy" in the conventional wisdom which they find "out of joint with the times". This, however, is as explicit as they get on the issue. One is left only to surmise that as a counter-weight to the extensive economic literature stressing the need for increased competition, virtually all the Report has to offer is an undefined "major and fairly complex process" for achieving economies of scale and innovative strength, and for using the Canadian market as a "stepping-stone" to greater exports.[39] Again, the reader is left to figure out how far the constraints on competition must go, and how costly this "complex process"would be to Canadian consumers and the Canadian economy.

One thing is certain: the authors' call for "a new 'national' industrial policy" sheds little light on the lingering ambiguities and unanswered questions. What we get, instead, are more of the same: "the linking of technological and industrial capability to areas of traditional comparative advantage represents a unique opportunity" for Canada; and "the willingness

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[38] Ibid., p. 15.

[39] Ibid., p. 23.

of organized labour, industry, and government to collaborate in . . . an industrial strategy . . . needs to be nurtured".[40] What such high-sounding phrases probably mean is that for some unspecified period of time, Canadian economic policy should turn inward, and that government should intervene massively to create a more self-sufficient Canadian economy. Despite their professed faith in expanded world trade, the C.I.E.P. doctors are, in fact, making a diagnosis of near-fatal Canadian economic openness and prescribing a huge dose of neo-mercantilism as the fundamental cure.

I, for one, cannot accept this approach. There is, I believe, a preponderance of empirical and analytical evidence to suggest that if any one set of ideas can be labelled "out of joint with the times" in a Canadian setting, it is the ideas put forward by C.I.E.P. However, my quarrel with the Report is even more procedural than it is substantive. The authors have been unable to make a credible case for their position. In large measure, they have substituted rhetoric for analysis. And they have failed to discuss the economic costs and benefits of alternative policies in a meaningful way. What is more, they have practically nothing to say about vital economic issues like Canadian poverty and Canada's development co-operation with the Third World; or about the criteria for approaching the division of labour between government and the private sector in the Canadian economy. Against this background, the authors are almost bound to seem vacuous when they conclude that "with firm and coherent government policies, . . . and with closer government-industry-labour cooperation, Canadians could look forward with confidence to the opportunities and challenges ahead".[41]

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[40] Ibid., pp. 17 & 23.

[41] Ibid., p. 28.

At this point, it is appropriate to temper such criticism with the recollection that the Report is, after all, billed as "an overview of the Canadian economic dilemma". The authors promise further -- and presumably deeper -- analysis of Canadian public policy, and this is not the time for definitive judgment. It should, however, be useful to comment on a "current issues" statement released by the Institute shortly after publication of the "overview" report.[42]

The first thing to note is that the authors, to their credit, are careful to tone down their generalized optimism about Canada's ability to solve its economic problems: "let no one think it will be easy or that legendary automatic devices will themselves bring the economy back on an even keel".[43] Secondly, they have articulated an interesting program for achieving a variety of explicit objectives: "stimulating the economy, reducing unemployment, the rate of inflation, [and] the deficit on current account in our balance of payments, and . . . restraining the present growth in Canada's foreign indebtedness".[44] The program is laudable in several respects -- recognition that a depreciated Canadian dollar should be allowed to work its way through the international trade system, a preference for Keynesian-type stabilization policy over single-track monetarism, and a refusal to sacrifice the employment goal on an anti-inflation altar. Then, too, the authors make a welcome reference to the fact that C.I.E.P. has commissioned special studies on the energy problem and the balance of payments.

But the Statement has its negative side as well; and it is the more compelling one. In the first place, short-term and longer-range issues are

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[42] C.I.E.P. Statement, op. cit.

[43] Ibid., pp. 16 & 17.

[44] Ibid., p. 14.

confusingly mixed in the same policy package. Secondly, before getting its research feet wet, C.I.E.P. has jumped into the current-affairs pool with a number of instant remedies that are open to serious question. Perhaps the most revealing example is the proposal for price and wage controls aimed at "selected industries that wield monopoly power";[45] the reader is left, once again, to figure out why controls are deemed necessary in the face of such unfavourable experience, what criteria would be used to define "monopoly power", and why the potential for strengthening competition in Canadian markets is not even mentioned. A second important example is the C.I.E.P. proposal that "programs should be introduced for substituting domestic products, goods and services for imports and for increasing exports of manufactured goods";[46] what emerges is a re-affirmation of the Institute's neo-mercantilist philosophy that imports should be minimized and exports maximized, with real opportunity costs being a secondary issue. Indeed, a major part of the Statement turns out to be little more than a simple re-statement of the first Report's view that the so-called "conventional wisdom" is "out of joint with the times", and that "a set of alternative solutions and approaches and some innovative ideas [are needed to] bring Canada out of its present malaise".[47]

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[45] Ibid., p. 11.

[46] Ibid., p. 12.

[47] Ibid., p. 2. As this essay was being completed, C.I.E.P. published a set of papers presented at a seminar on the Canadian balance of payments sponsored by the Institute in June 1979. Canadian Institute for Economic Policy, Our Current Account Deficit; A Need for Action (Ottawa, October 1979). If this document has a single underlying theme, it is that Canada's unprecedented current-account deficits of recent years pose serious problems for our policy-makers in the coming decades. Few would quarrel with this general proposition. What remains much heavier with doubt is the neo-mercantilist approach that some of the papers take towards solving those problems.

This same approach is clearly evident in the first two of three C.I.E.P.-sponsored studies published after the time of writing: A.W. Donner and D.D. Peters

(continued .../38)

Concluding Thoughts on the Future

Let us get back to basics, however. My prime concern is not with the future of C.I.E.P. (though I wish it well), but rather with the expanding conceptual struggle symbolized by the Institute, and with the urgent need for high-quality national debate on Canadian economic policy for the decades ahead.

My own stand on major issues has been developed in a way that is intended to be responsive to this need. In any event, there is nothing to gain from re-tracing ground already covered. What I propose to do, instead, is to express some concluding thoughts which might give further shape and direction to the debate.

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47 (continued from p. 37) The Monetarist Counter-Revolution: A Critique of Canadian Monetary Policy 1975-1979 (Toronto, 1979); H.L. Robinson, Canada's Crippled Dollar: An Analysis of International Trade and Our Troubled Balance of Payments (Toronto, 1980); and C.L. Barber and J.C.P. McCallum, Unemployment and Inflation: The Canadian Experience (Toronto, 1980). While the Donner-Peters work makes a cogent case against high interest rates and slow money growth -- and in favour of greater public disclosure of our central bank's deliberations -- it is not at all convincing in its advocacy of remedies like a "tax-based incomes policy"and government intervention to reduce imports and increase exports. Similarly, the Robinson study suggests a number of balance-of-payments correctives that would not be difficult to endorse -- for example, more generous government incentives for industrial spending on research and development; but there are also proposals -- like an artificial "shadow price" discriminating against imports -- which could prove very harmful to the Canadian economy. The Barber-McCallum work combines a strong attack on Canadian monetary policy since 1975 with a call for a more active government role in reducing both unemployment and inflation; while it is the most impressive of the three studies, it is also the least related to C.I.E.P.'s overriding nationalistic concerns.

Drawing on the Donner-Peters and Barber-McCallum studies, C.I.E.P. has released a Statement on Interest Rates, the Exchange Rate and Inflation (Ottawa, April 1980). The crux of the Statement is a plea for downward government pressure on interest rates in Canada, on the ground that the gains from such reduction would be "much greater than the costs that would be involved in a lower exchange rate" (p. 8).

The only certainty about the 1980's is, of course, that they will provide a state of continuing uncertainty. I leave to others the hazardous task of speculating on the specific economic events that might be expected to unfold. For me, there are three crucial questions to be posed in this context: whether the world economy is likely to become so chaotic and so ridden with trade and investment restrictions as to allow Canada no viable alternative to an inward-looking policy thrust based on massive government intervention in foreign and domestic markets; secondly, whether, in the face of surging demand, world prospects for energy and other resource development are so bleak as to compel countries like Canada to undertake drastic cutbacks in government services and a correspondingly drastic scaling-down of public expectations with respect to material welfare; thirdly, whether a massively decentralized Canadian political system is consistent with effective national economic performance in the rapidly changing world environment. By this time, it should come as no surprise that my own answers to all three questions are strongly in the negative. It is no less apparent, however, that the questions have many facets, and that there is plenty of room for reasonable people to differ. The really vital thing is that such questions be asked, and that their implications be made a central part of the national debate.

Canadians must get their priorities straight. Policy objectives have to be spelled out, and trade-offs bluntly recognized. Each of us has his or her own conception of what the main targets should be; and typically, the economic dimension will be only one of many. At the top of my particular scale are national unity, high productivity, and human rights on both the domestic and international fronts. These are closely intertwined; and they link up, in turn, with economic stability, competitive markets, labour-

management harmony, an efficient Canada-U.S. relationship and accelerated economic development in the Third World. Again, how we define these goals and how we can best pursue them are basically matters of judgment. It is for our research community to show greater skill in highlighting the opportunities, explaining the pitfalls and appraising our policy experience. And it will be for all Canadians to find some common ground for action on a wide range of complex problems.

There is a major catalytic route to follow at this juncture. But how, one may ask, and by whom? What could be invaluable is a prestigious panel of informed Canadians, charged with responsibility for carefully articulating our most profound economic issues and for exploring the implications of alternative choices available to cope with them. The panel, or commission, would comprise some 25-30 persons and would meet regularly over a period of, say, 18 months; and out of its intensive discussions would, hopefully, come a broad-based report (or perhaps a series of reports) leaving this country better equipped to confront the grave economic challenges that the next 20 years are bound to bring.

This format might suggest that the Economic Council of Canada would be the most logical sponsor of such a venture. It has served, after all, as a kind of continuing royal commission, and one of its basic structural features is policy choice flowing from a consensus among members drawn from key sectors of the Canadian economy. The plain truth, however, is that while the Council has established a solid claim to both competence and credibility, serious questions can be raised as to whether its particular "consensus" approach should be preserved. Essentially, the problem is one of trying to make technical economic reports more "realistic" through infusion with

policy views shared by all the "representative", government-appointed Canadians who are part-time members of the Council. To be sure, there has been some flexibility in terms of occasionally-recorded dissent. And the part-time members often contribute substantially to the quality of consensus reports. But what they also frequently do is impose a real constraining influence on the Council's capacity for advancing bold and innovative policy proposals that are supported by economic theory or empirical evidence; a notable case in point is the "Looking Outward" report, in which the Council makes no recommendation whatever on the issue of Canada-U.S. free trade.

A searching re-assessment of the Council's terms of reference is, in fact, long overdue. Should it play a short-term advisory role vis-à-vis the federal government? What mechanisms would ensure a more effective consideration of Council advice? How far should it seek to accommodate research and policy needs at the provincial-government level? Should the Council's part-time members serve only in an informal, consultative way? How should its technique of "consensus reporting" be changed? Should the Council take a strong stand against part-time members who choose to abstain from its proceedings? Should it be converted into a purely-research agency fully controlled by professional economists and other social scientists? Given the increasingly intense Canadian competition for scarce funding and research talent,should the Council pause to re-define, and focus more sharply on, the research fields in which status and experience would appear to give it a comparative advantage?

Since such questions have not yet been seriously addressed, it would be wise to look elsewhere for the kind of panel that is being proposed. In any event, it seems no less wise to view this as a private-sector responsibility.

For one thing, government is typically caught up in problems of the day, let alone the year or the decade. Secondly, expert public agencies are likely to be too specialized, and "too close to the action", to generate the fresh perspective required. There is always the possibility of a government-appointed task force, a royal commission or a parliamentary committee; these have produced some impressive results, but the record is very uneven, and strong political constraints are never far away. A privately-sponsored policy panel has much to commend it on this front -- just because it stands at arm's length from government; and especially if, as envisaged, it contains only well-qualified people striving to represent only themselves, and determined to come up with a truly joint effort that touches a responsive chord among Canadians deeply interested in their country's economic future.[48]

This, of course, is not to expect that the national debate should mark time while the panel is in session. On the contrary, there is ample room -- and extreme need -- for individual and institutional participation in every conceivable forum. One does, however, have a right to hope that quality will be roughly commensurate with quantity.[49]

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[48] I do not under-estimate the difficulties in setting up such a panel; nor do I imply that its findings would necessarily have a more direct policy impact than those of the countless similar groups which it would follow. Many of the issues are highly controversial, and no panel member could (or should) totally avoid the prior perspective, or "bias", deriving from his or her working links with other organizations. In this context, the key to success would be the ability of the sponsoring body (or bodies) to attract respected people who reflect diverse backgrounds and bring a reasonably open mind to the panel project. One can only hope that the high quality of membership and the focus on comprehensive policy choice would also provide a marked impetus to government action. But the real measure of the panel's achievement lies elsewhere -- in the contribution that it would make to public awareness and understanding; and in supplying a breadth of economic analysis that cannot readily be associated with Canada's research community.

[49] It is not easy to be optimistic on the basis of the federal election campaign of 1979-80.

The specific policy solutions ultimately adopted will naturally be of the utmost importance. But they will vary with changing needs and circumstances The underlying rationales and attitudes will be at least as important as the remedies. One of the fundamental ground-rules for a productive debate is that rhetoric cannot be a substitute for economic analysis. As already noted, C.I.E.P.'s first report provides some striking instances of violation -- Canada's alleged "satellite" status, for example. The Institute is not alone, however; this is a temptation which Canadian economists find very difficult to resist. A related rule is that little or no purpose would be served by trying to sustain increasingly outdated distinctions between "progressive" and "reactionary", "socialist" and "non-socialist", "left-wing" and "right-wing". Even the ancient Canadian lines between "liberal" and "conservative" have become extensively blurred; what may remain meaningful, however, is the view that while both "liberalism" and "conservatism" enshrine individual freedoms at the political level, the former tends towards a pragmatic or "utilitarian" approach to government, and the latter towards a more doctrinaire or "minimal" approach, in the field of economic and social welfare. A third prerequisite for fruitful debate is to stay well clear of any implication that because an ideas is "conventional" and "widely accepted" by Canadians at present, it is likely to be irrelevant to the future. Quite apart from the frequent problem of determining conventionality and degree of acceptance, the fact is that there is no basis for this kind of a priori judgment. Just as novelty in the realm of ideas carries no guarantee of validity, so does conventionality supply no automatic route to error; although changing labour markets, for example, may require substantial revision of the orthodox Keynesian stance on full employment policy, the compelling Canadian

case for industrial free trade seems at least as appropriate to the 1980's as to the earlier decades since World War II.

It was Lord Keynes who, going beyond the employment context, forged the most durable of all brands of conventional wisdom among contemporary Western economists: "the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else . . . soon or late, it is ideas, not vested interests, which are dangerous for good or evil".[50] If a preoccupation with conventional wisdom is wasteful, the cost can be greatly reduced by recognizing that a substantial part of this proposition is -- to borrow C.I.E.P.'s favourite theme --"out of joint with the times". One way of explaining this point is to suggest that Keynes' downgrading of "vested interests"is highly suspect in the light of the remarkable development of contending power groups in the Western democracies over the past 40 years: "The view that, soon or late, it is ideas, when combined with vested interests, that are dangerous for good or evil seems much more plausible."[51] Another way is to emphasize that while solid economic ideas are vital, it may be a long and bumpy road from idea-generation to policy execution; that up to now, Canadian economists, like their Western colleagues abroad, have concentrated almost exclusively on the first and last stages of governmental policy-making; that, in consequence, they have relatively little understanding of major policy

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[50] J.M. Keynes, The General Theory of Employment, Interest and Money (London, 1936 [1960 reprint]), pp. 383 & 384.

[51] G.L. Reuber, "Canadian Economic Policy: Some Perspectives Suggested by the Work of Harry Johnson", Canadian Journal of Economics, November 1978 (Supplement), p. S138.

inputs like private interest groups, political parties, the bureaucracy -- and ignorance, as well as the accidents of history; and, finally, that the time has come for Canada's economic researchers to confront the totality of the policy process.[52]

Where, then, do we go from here, and how far? Do we get an economically more open or more insulated Canada? A Canada deeply or marginally committed to Third World development? A mixed or government-controlled economy? A country striving to meet or restrain rising expectations with regard to social and material welfare? A powerful federal presence or a loose confederation of provinces and regions -- or national dismemberment? These are among the most profound policy choices that Canadians will have to make. In considerable measure -- that is to say, allowing for the external constraints -- the outcomes are in Canadian hands. By the same token, to the extent that the choices prove to be wrong, much of the responsibility will be ours.

Postscript

As this essay goes to press, Quebecers have voted decisively (59.6 per cent) against giving their provincial government a mandate to negotiate sovereignty-association with the rest of Canada. The time-bomb ticking away at Confederation for two decades has been defused -- for now. The "national unity" malaise underlying the Referendum crisis has not disappeared. Indeed, if the challenge of nation-building is currently at its peak, so are the dangers in the task ahead.

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[52] For a refreshing, non-Canadian outlook on the basic policy issues, see A.T. Peacock, The Economic Analysis of Government (London, 1979).

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SUMMARY

Canada now stands at a critical turning point in its development. The stresses and strains of the late 1960's produced a general sense of unease over the strength of the Canadian economy as well as the viability of our political system. And the public disquiet has deepened with the increased domestic and international turbulence of the 1970's.

Three broad themes have assumed crucial importance: first, whether this country will survive as a single sovereign state; second, whether government should play a significantly smaller role in the Canadian economy; and third, whether increasingly severe energy constraints dictate radical changes in Canadians' life-style or in our pursuit of fundamental policy goals. The prime purpose of this essay is to provide a framework for answering these questions.

What emerges is an overriding preference for an economic policy mix rooted in vigorous competition, reasonable price and employment stability, an efficient Canada-U.S. relationship and a real war on poverty at home and abroad -- with the federal government retaining the very substantial powers necessary for solid national performance. More pointedly, the conclusion is reached that despite the deep uncertainties looming in the 1980's, Canadians do <u>not</u> have to opt for an enormously costly, inward-looking policy thrust based on massive government intervention in foreign and domestic markets.

This last issue of choice is, indeed, the one on which a searching national debate should now focus. The conceptual lines have been sharply drawn by the recently-established Canadian Institute

for Economic Policy (C.I.E.P.). The Institute argues that Canada's current "conventional wisdom" on economic policy is "out of joint with the times"; and that we can achieve economic success in the 1980's only by drastically reducing our dependence on the United States, and by moving boldly towards overwhelming control of our own resources. It is the author's contention that C.I.E.P. has been unable -- at least so far -- to make a credible case for this position.

But there is plenty of room for reasonable people to differ. The really vital thing is that the national debate be launched. In this context, the essay suggests that a major catalytic effect could derive from a privately-sponsored panel of informed Canadians charged with the task of carefully articulating our most profound economic issues and exploring the implications of alternative choices available to cope with them. The panel, or commission, would comprise some 25-30 persons and would meet regularly over a period of, say, 18 months; and out of its intensive discussions would, hopefully, come an insightful report (or perhaps a series of reports) leaving this country better equipped to confront the grave economic challenges that are bound to arise in the 1980's and beyond.

In the end, though, it will be for all Canadians to decide. And to the extent that the choices prove to be wrong, much of the responsibility will be ours.

RÉSUMÉ

Le Canada se trouve actuellement à un seuil critique de son développement. Les tensions et contraintes de la fin des années 60 ont donné naissance à une inquiétude générale quant à la vigueur de l'économie canadienne et à la viabilité de notre système politique. Ce climat d'incertitude n'a fait que s'intensifier devant les bouleversements qui ont marqué les années 70, tant sur la scène mondiale que nationale.

Trois questions s'imposent avec une urgence particulière: on s'interroge sur les chances de survie du Canada en tant qu'État souverain indivisible, sur l'opportunité de réduire considérablement le rôle des pouvoirs publics dans l'économie canadienne et enfin, sur la nécessité éventuelle, pour les Canadiens, de modifier radicalement leur mode de vie et la poursuite de leurs objectifs fondamentaux en présence de contraintes énergétiques de plus en plus sévères. Le présent exposé veut apporter des éléments de réponse à ces questions.

Il se dégage une préférence marquée pour une synthèse de principes économiques fondés sur une saine et vive concurrence, des prix modérés, la stabilité d'emploi, des rapports canado-américains efficaces de même qu'une véritable guerre contre la pauvreté, tant à l'intérieur qu'à l'étranger, en supposant le maintien, par le gouvernement fédéral, des pouvoirs substantiels indispensables à une action nationale efficace. Il se révèle, plus précisément, que malgré le climat d'insécurité qu'annoncent les années 80, il ne sera pas nécessaire d'opter pour une politique fort coûteuse d'aide à l'économie nationale, basée sur l'intervention massive des pouvoirs publics dans les marchés nationaux et étrangers.

Cette dernière option qui devrait, en fait, faire l'objet d'un débat national, a été présentée, dans sa forme essentielle, par l'Institut canadien de politique économique. L'Institut affirme que la "sagesse classique" qu'affiche actuellement le Canada en économie politique est anachronique et que notre succès économique sera subordonné à la réduction massive de notre dépendance vis-à-vis des États-Unis et à une action menant au contrôle absolu de nos propres ressources. L'auteur estime que l'ICPE n'a pas réussi, du moins jusqu'à maintenant, à étayer la thèse qu'il propose.

Les différences d'opinion s'acceptent, entre gens civilisés, et l'essentiel est que le débat national soit lancé. A cet égard, l'auteur croit que le catalyseur pourrait être une commission formée de Canadiens éclairés et parrainée par le secteur privé, dont la mission serait de définir clairement nos problèmes économiques fondamentaux et d'évaluer les implications de chacune des solutions que nous pourrions choisir d'y apporter. La commission serait composée de 25 à 30 personnes qui se réuniraient au cours d'une période de 18 mois, par exemple, et qui, à l'issue de discussions intenses, seraient en mesure de présenter un ou plusieurs rapports bien documentés, susceptibles d'aider à surmonter les importants défis économiques qui surgiront forcément au cours des décennies à venir.

En fin de compte, la décision incombera à tous les Canadiens et, dans la mesure où les solutions adoptées ne donneront pas les résultats escomptés, nous en porterons tous une bonne part de responsabilité.

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Over the years, Dr. Brecher has served in many senior academic, government and consultative positions, among others as Vice-Chairman and Director of the Economic Council of Canada; Joint Director, Pakistan Institute of Development Economics; Founding Director, Centre for Developing-Area Studies, McGill University; Staff Member, Royal Commission on Canada's Economic Prospects and Royal Commission on Banking and Finance; Consultant to the Canadian International Development Agency; Consultant, Institute for Research on Public Policy; Member of the Minister of Consumer and Corporate Affairs' Advisory Committee on Competition Policy; Member, Board of Governors, International Development Research Centre and Member, Board of Governors, Institute of Applied Economic Research, Concordia University.

He has authored or co-authored a number of studies, including Monetary and Fiscal Thought and Policy in Canada, 1919 - 1939; Canada - United States Economic Relations; Foreign Aid and Industrial Development in Pakistan; Capital Flows Between Canada and the United States. He has also published extensively in such journals as the Canadian Journal of Economics and Political Science, the Canadian Bar Review, Queen's Quarterly and International Perspectives.

In 1978, Dr. Brecher was awarded the Governor-General's Canadian Silver Jubilee Medal as "an expression of appreciation of worthy and devoted service rendered by the recipients in their various walks of life and of the esteem in which they are held by their associates".